



# Downtown Development District Workshop

For Delaware City, Delaware

January 12, 2021

# Presenters

- David Edgell, Office of State Planning Coordination
- Penny Pierson, Delaware State Housing Authority
- Rick Ferrell, Retail Market Answers, LLC
- Karen Horton, Delaware State Housing Authority
- David Baylor, Delaware City

# Agenda

- DDD Rebate Overview (Penny Pierson)
- DDD Resource Team (Rick Ferrell / Karen Horton)
- Delaware City DDD Program (David Baylor)



# **DOWNTOWN DEVELOPMENT DISTRICTS**

## **DDD Rebate Program**

*Administered by  
Delaware State Housing Authority*



## DOWNTOWN DEVELOPMENT DISTRICTS PROGRAM

- A partnership between the State of Delaware and local governments to **promote revitalization of designated downtown areas**. Created to leverage state resources in designated downtowns to:
  - Spur private investment
  - Improve commercial vitality
  - Build a stable community of long-term residents
- Funding is allocated annually through the General Assembly to DSHA to administer the **DDD Rebate Program**.



## **DESIGNATED DISTRICTS**

**January 11, 2015**

Dover, Seaford, Wilmington

**August 10, 2016**

Georgetown, Harrington, Laurel, Milford, Smyrna

**August 19, 2019**

City of New Castle, Clayton, Delaware City, Middletown



## DDD REBATE PROGRAM

- Primary incentive to **support and encourage investment** in designated Districts.
- Available to **Qualified District Investors** who make a **Qualified Real Property Investment (QRPI)** within a designated District.
  - Investments must be for the **rehabilitation, expansion, or new construction** of a *commercial, residential, industrial, or mixed-use building or facility*.
- Investors can receive rebates **up to 20%** of the **QRPI**.
- **Rebates are performance-based**; therefore, investments must be completed, paid for and placed-in-service **prior** to applying for a rebate.



## BASIC MINIMUM THRESHOLD REQUIREMENTS

- The **QRPI** must be:
  - made within the boundary of a District;
  - made in conformance with the District Plan;
  - made after the date the real property is officially incorporated into the boundary of a District; and
  - in excess of the minimum required investment.
- Investors must meet site control requirements.
  - *Legal title or owner's consent (tenants)*
- Work must be performed by a **Delaware-licensed** contractor.

*Please refer to the DDD Rebate Program Guidelines for additional requirements that are specific to large and small projects.*





## QUALIFIED DISTRICT INVESTORS

- **Property Owners** (occupant and non-occupant)
- **Tenants** making leasehold improvements may apply with property owner's permission.
- **Investors** can be for-profit developers, nonprofit organizations, businesses, and homeowners.

**Federal, state or local agencies and quasi-governmental organizations** are ineligible to participate as an **investor** or a **property owner**.



## Funding Set-Asides

DSHA established two funding set-asides to ensure a variety of projects have access to rebate funding.

- **LARGE PROJECTS**

- QRPI greater than \$350,000
- Rebate calculated at 20% for QRPIs up to \$2.5M
- QRPIs over \$2.5M calculated at a lower-rate
- Maximum rebate \$1.5M (\$27.5M QRPI)

- **SMALL PROJECTS**

- QRPI between \$25,000 and \$350,000
- Rebate calculated at 20% of final QRPI
- Maximum rebate \$70,000



## LARGE PROJECT REBATES

- Large Project investors must apply for and receive a Reservation.
- Reservation applications are accepted up to twice a year, *subject to funding availability*.
- Application process can be competitive.
- Reservations guarantee funding availability only.
- Investments must be completed, paid for and placed-in-service prior to applying for a rebate. Investors must apply within 60 days from the placed-in-service date.
- Requires an Attestation of Actual Costs by an Independent CPA.



## SMALL PROJECT REBATES

- QRPI between \$25,000 and \$350,000
- Rebate calculated at 20% of final QRPI
- Must have a minimum of \$25,000 in qualified costs
- Maximum rebate \$70,000
- Project must be completed within **12 months** from initial building permit or construction commencement date
- Construction must be continuous, no inactivity for more than **60 days**.
- Investments must be completed, paid for and placed-in-service **prior** to applying for a rebate. Investors must apply within **60 days** from the **placed-in-service date**.



## ADDITIONAL REQUIREMENTS

- Work must be performed by a **Delaware-licensed contractor**.
- Name on application, deed or lease, and payment instrument(s) must be identical.
- Investors will receive an IRS 1099-MISC form for the tax year in which the rebate is issued.



## **QRPI ELIGIBLE COSTS**

- “Hard costs” or “brick-and-mortar costs” directly related to the **physical construction of a building’s structure**.
  - Exterior, interior, structural, mechanical and electrical
- Demolition of a primary building **when replaced with a new building**.
- **Limited** costs related to site improvements.
- **Limited** costs related to non-residential appliances/equipment.

**Work must be performed by a Delaware-licensed contractor to qualify for a rebate.**



## **INELIGIBLE COSTS**

- Costs typically referred to as “soft costs” such as acquisition, insurance, architectural, engineering, permit, and impact fees.
- Computer network installation and equipment, office equipment, and point of sale equipment.
- Most exterior and interior signage.
- General maintenance type repairs and service calls.
- Outbuildings, road repairs, new roads, curbing, perimeter and public sidewalks, fencing, playgrounds and equipment, swimming pools, boat docks and landscaping.
- Labor and materials for work performed by **unlicensed** contractors or individuals including homeowners.



## **INELIGIBLE ACTIVITIES**

- Business activities referred to by the Internal Revenue Code as “sin” businesses
- Adult entertainment establishments, check cashing facilities, tobacco-only retailers, vape shops and recreational-only marijuana retailers
- Institutional related activities (hospitals, public and private schools, colleges and universities)
- Federal, state or local government related activities (libraries, post offices, and public safety services)





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## DDD SMALL PROJECT REBATE APPLICATION CHECKLIST

- Exhibit 1: Project Description-District Conformity Form
- Exhibit 2: Proof of Site Control
- Exhibit 3: Proof of Property Condition (before/after)
- Exhibit 4: Final Placed-In-Service Documentation
- Exhibit 5: Proof of Investment
  - *Itemized invoices, contractor's DE-business license*
  - *Proofs of payment*
- Exhibit 6: Certification of Application Submission
- Exhibit 7: IRS Form W-9

Cash payments  
are highly  
discouraged

***Applications are accepted on a rolling basis, subject to funding availability.***





## Commercial Investment

**DDD QRPI** **\$235,297**

**DDD Rebate** **\$47,059**

**District Incentives** **\$1,000**

**Kent County Grant** **\$10,000**

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**Value of Incentives** **\$58,059**





# Residential Single-Family

DDD QRPI \$94,017

DDD Rebate \$18,803

District Incentives \$851

Kent County Grant \$1,500

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Value of Incentives \$21,154







## Delaware City DDD Rebates



## TIPS FOR A SUCCESSFUL REBATE

- **Read** the DDD Rebate Program Guidelines.
- **Discuss** project with your District Administrator and find out what incentives are out there to help your project.
- **Discuss** your project with DSHA prior to the start of construction.
- **Discuss** licensing and invoicing requirements with contractor(s).
- **Organize** your paperwork throughout the construction process.
- **Ask questions** - both the District and DSHA are here to help!



# NEED ASSISTANCE?

## DDD REBATE TEAM:

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# DDD Resource Team



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# Delaware City DDD Program



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# Questions and Answers

*Thank you for attending the workshop!*

Some helpful links:

DDD Program Overview and Resources

<http://www.stateplanning.delaware.gov/about/ddd.shtml>

DSHA Rebate Information

[http://www.destatehousing.com/Developers/dv\\_ddd.php](http://www.destatehousing.com/Developers/dv_ddd.php)

Delaware City DDD Program

<https://delawarecity.delaware.gov/community/downtown-development-district-ddd/>